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M'FARLANE LINKS A REAGAN MEETING TO CONTRA MONEY

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WASHINGTON, May 11 — Robert C. McFarlane, President Reagan's former national security adviser, testified today that one or two days after the President met personally with King Fahd of Saudi Arabia, the Saudis agreed to double the amount of money they were sending to the Nicaraguan rebels.

Mr. McFarlane, in his first day of testimony before the Congressional committees investigating the Iran-contra affair, said President Reagan expressed "gratitude and satisfaction, not surprise," when told of the Saudi decision.

This occurred in early 1985, when the Administration was barred from sending aid of any sort to the rebels. But the legality of soliciting money from foreign countries at that time remains a matter of debate.

Three Meetings With Fahd

King Fahd's state visit took place at a time of strains in Saudi-American relations. In an effort to ease Saudi concerns about American determination to seek a Middle East peace, Mr. Reagan met three times with the Saudi leader. Mr. McFarlane said that this amounted to special treatment for the Saudi leader, but was not unique.

Mr. McFarlane's testimony was the most direct suggestion to date that President Reagan may have intervened personally to raise money for the contras at a time when United States aid was restricted. But Mr. McFarlane stopped short of an explicit statement that the President had solicited funds from King Fahd.

Legality of Action Unclear

However, Mr. McFarlane testified that later in 1985, when a shipment of arms to the rebels was temporarily blocked by officials of another Central American country, Mr. Reagan called the president of that country and persuaded him to release the shipment. The country was not identified in the testimony, but officials said it was Honduras.

The White House today declined to comment directly on Mr. McFarlane's testimony, but insisted that the Presi-

dent had done nothing illegal.

The law in effect at the time prohibited "direct or indirect" military assistance to the rebels by United States intelligence agencies. But again, the legality of President Reagan's intervention is unclear because the laws restricting aid during this period did not address every possible contingency.

In his first day of what is expected to be at least three days of testimony, Mr. McFarlane said the \$24.5 million contributed by the Saudis was used to buy weapons for the contras. But he was not asked and did not say whether the President knew that was the purpose of the donation. Mr. McFarlane also did not say whether the President knew the shipment blocked by Honduras was arms.

Mr. McFarlane said he personally had no doubt that Congress did not want "any money raised for the contras."

Mr. McFarlane, who will resume his testimony Tuesday, made these other points today:

¶President Reagan "was always very concerned" about the American hostages in Lebanon, and that concern was the main reason arms transactions with Iran continued over the objection of nearly all the Administration's top foreign-policy officials.

¶The Administration expected all the hostages to be freed after the initial Israeli arms shipments to Iran in 1985,

but was informed instead by the Israelis after the deliveries were made that only one hostage would be released. Mr. McFarlane was asked which hostage he wanted released, and he selected William Buckley, a Central Intelligence Agency officer. But as was learned later, Mr. Buckley was already dead. Instead, the Rev. Benjamin Weir was freed.

¶Secretary of State George P. Shultz was told that money had been raised to support the contras but he never asked and was never told which country had provided the assistance. Mr. McFarlane said he had been protecting Mr. Shultz by not telling him.

¶Lieut. Col. Oliver L. North, who was Mr. McFarlane's assistant on the national security staff and who was the central organizer of the arms sales and the contra-supply operation, was something of a zealot whose activities now appear to have been against the law. But Mr. McFarlane said he admonished him only occasionally.

¶Colonel North told Mr. McFarlane, after it was announced publicly last November that proceeds from the arms sales had been diverted to the contras, that the diversion had been "approved" and that a document proved that. Mr. McFarlane said he did not ask Colonel North who had approved it. Colonel North also told Mr. McFarlane that some documents in the Iran-contra affair had been shredded.

Mr. McFarlane was the President's

national security adviser from October 1983 through December 1985, and returned to the Government to try to negotiate with the Iranians last May. He has been cooperating with investigators since the controversy over the Administration's policies broke.

Deeply Embarrassed

He testified last year before Congressional committees conducting preliminary investigations and before the Presidential review board headed by former Senator John G. Tower. Mr. McFarlane has said in the past that he was deeply embarrassed by some of his activities, and last December he took an overdose of a tranquilizer in an apparent attempt to kill himself.

His account of the Iran arms sales was thoroughly recorded by the Tower Commission. But today's testimony provided the first full account of his role in the efforts to aid the Nicaraguan rebels.

President Reagan, according to Mr. McFarlane, "repeatedly made clear in public and in private that he did not intend to break faith with the contras" after Congress restricted official assistance. The witness continued:

"He directed that we make continued efforts to bring the movement into the good graces of Congress and the American people and that we assure the contras of continuing Administration support — to help them hold body and soul together — until the time when Congress would again agree to support them."

"Exactly what kind of support?" asked Arthur L. Liman, chief counsel of the Senate investigative committee, who conducted all the questioning today.

"Basically, it was smoke and mirrors," Mr. McFarlane replied, to show the contras that "you're going to have to make do moneywise on someone else. But the President, whose political influence is not insignificant, is going to make your cause a very high-priority cause for himself."

For his part, Mr. McFarlane testified, "I did what expresses the sentiment of what the President directed me to do."

In contrast with the grilling he gave Maj. Gen. Richard V. Secord, who coordinated the contra operations, in what amounted to a cross-examination last week, Mr. Liman's questioning today was gentle as he led Mr. McFarlane step by step through the evidence.

Mr. Liman and John W. Nields Jr., chief counsel of the House committee, work as a team. It will be Mr. Nields's turn Tuesday to cross-examine Mr. McFarlane with what are expected to be less friendly questions.

The committee members said they did not know what to make of Mr. McFarlane's statement that Colonel North had told him the diversion of proceeds to the contras had been approved and that there was a documentary record of it.

President Reagan has maintained that he knew nothing of the diversion, and Mr. McFarlane said today he did not know about it until after the fact.

Senator Warren B. Rudman, Republican of New Hampshire, called the McFarlane statement "hearsay testimony" from which "you cannot draw any conclusion."